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AMERICAN ELECTRIC POWER, INC. TO PAY \$30 MILLION PENALTY TO RESOLVE CRIMINAL ALLEGATIONS

WASHINGTON, D.C. – Assistant Attorney General Christopher A. Wray of the Criminal Division and U.S. Attorney Gregory G. Lockhart of the Southern District of Ohio announced today that the Justice Department has entered into an agreement with American Electric Power, Inc., a New York corporation headquartered in Columbus, Ohio, and AEP's wholly-owned subsidiary, AEP Energy Services, Inc. (AEPES), also headquartered in Columbus, resolving an ongoing federal investigation into the submission of knowingly inaccurate reports by AEPES concerning a commodities market.

Under the terms of the agreement, AEPES will pay a \$30 million criminal penalty to the Justice Department, in addition to \$51 million in payments to the Commodity Futures Trading Commission and the Federal Energy Regulatory Commission under separate agreements.

Under the terms of the deferred prosecution agreement, AEPES has accepted and acknowledged responsibility for the actions of its employees, and is required to fully cooperate with an ongoing Justice Department investigation. Because of the cooperation commitment and the remedial actions taken by the company to date, and in conjunction with the payment of substantial monetary fines, the Department of Justice has agreed to not file criminal charges stemming from the investigation for a 15-month period. If AEPES fails to fully comply with the terms of the agreement during that 15-month period, the Department of Justice will charge AEPES with delivering knowingly inaccurate reports concerning the commodities market for natural gas, based on conduct outlined in an agreed-upon statement of facts.

AEP, one of the nation's largest electric utilities, serving approximately five million customers, agreed by letter to uphold the terms of the government's agreement with its subsidiary.

According to a statement of facts, between November 2000 and July 2002, traders at three of AEPES's four regional natural gas trading desks submitted false, misleading or knowingly inaccurate trade data to industry publications, altering the published index price of natural gas at various trading hubs. Natural gas traders use the published index prices to price and settle certain physical and over-the counter financial derivative natural gas transactions. Upon discovery of the false reporting, AEPES management alerted government authorities, dismissed several traders who admitted falsely reporting data, and restructured the company's reporting system to prevent future submission of false reports.

"When the energy markets are fraudulently manipulated, consumers end up paying the price – especially the bill payers, businesses and governments who rely on utilities like AEP for their energy needs," said Assistant Attorney General Christopher A. Wray. "Today's agreement, involving three close partners on the President's Corporate Fraud Task Force, again demonstrates

this administration's commitment to the full investigation of market manipulation and dishonest financial reporting in the natural gas markets."

"While substantial penalties and changes in internal controls are appropriate responses in this instance, corporate responsibility begins and ends with the actions of individuals," said U.S. Attorney Gregory G. Lockhart. "We expect the company's continued cooperation as we address issues regarding false market information."

In addition to the \$30 million criminal payment, AEP and AEPES also entered civil settlements of related investigations today with the CFTC and the FERC. Under the terms of a consent order entered in the matter, AEP and AEPES agreed to pay a civil monetary penalty of \$30 million to resolve the allegations of attempted manipulation and false reporting raised in a complaint filed Sept. 30, 2003 by the CFTC. AEP and AEPES simultaneously agreed to a \$21 million civil penalty to resolve the FERC's investigation into preferential treatment AEPES received in natural gas storage and transportation through non-public agreements and agreements with affiliated intrastate pipelines.

"This high level of cooperation and collaboration among federal government agencies protects customers by preserving a fair and open competitive marketplace for energy," said FERC Commission Chairman Pat Wood, III.

"Working cooperatively with the Justice Department and FERC allowed us to achieve these comprehensive penalties. Our actions here today send a strong signal that will deter others from wrongdoing and help to restore integrity to these vitally important markets," said CFTC Acting Chairman Sharon Brown-Hruska.

The Justice Department's investigation into the AEPES matter is being conducted by the Fraud Section of the Criminal Division, with substantial assistance from the CFTC and the FERC.

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